carolinas climate resilience conference

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Floodplain Buyouts - A Smart Investment for Local Governments?

Hurricane Matthew demonstrated once again just how vulnerable North Carolina is to flooding. Torrential rains caused severe flooding that breached levees, closed major roads and inundated entire communities. Thousands of homes in Eastern NC were destroyed. Many of these same homes had flooded before. To reduce the risks of future flooding, communities across the state have been acquiring and removing the most vulnerable homes from the floodplain. These acquisitions, known as buyouts, are funded primarily by FEMA. Since the 1990s, FEMA has funded the acquisition of some 5,000 homes in North Carolina.

Buyouts can permanently reduce a community's vulnerability to flooding, but they can also reduce the local tax base. Plus, local governments must cover the costs of maintaining the now-vacant properties. And since buyouts are voluntary, not all eligible homeowners participate, thus limiting the use of the acquired lands. The most common use of buyout lands is vacant lots.

The UNC Institute for the Environment is carrying out a study of floodplain buyouts in NC. The goals of the project are to estimate the net financial impacts of buyouts on local governments in North Carolina and to explore the factors that might motivate people to participate in a buyout.

The study is examining the impact of buyouts in eight communities: Charlotte, Greenville, Kinston, Lumberton, Raleigh, Rocky Mount, Seven Springs and Windsor. These communities vary in size from Seven Springs (pop. 110) to Charlotte (pop. 842,051). Thus far, we have met with local officials in six communities, created GIS maps of buyout areas, and collected financial data to estimate the loss of tax base and the costs associated with maintaining the buyout properties. We are also trying to estimate the savings, or avoided losses, the buyouts will provide the next time flooding occurs. That is, what expenses will the community not incur because the acquired homes will no longer be there to flood.

Our preliminary findings suggest the financial impact of a buyout varies by community and depends on a number of factors, including:

- The nature and size of the buyout. For example, many buyouts resemble a checkerboard, with vacant homes interspersed among occupied houses. With this pattern of acquisitions, most communities simply plant grass on the vacant lots and mow regularly.
- Use of the property. Some communities have created a community amenity, such as a park, out of the acquired lands. Others simply lease the isolated, vacant lots to adjacent landowners.
- Where people go. If buyout participants leave the community, then the community suffers a loss of tax base. In many cases, participants are able to find replacement housing within the community.
- What costs get reimbursed. Federal and state grants often cover the bulk of local expenses for disaster recovery. Since our focus is on the fiscal impact of buyouts on local governments, reimbursement by state or federal government affects the calculation of avoided losses.